

Congress of the United States
Washington, DC 20515

November 8, 2019

Honorable Mayor Bill de Blasio
City Hall
New York City, NY 10007

Honorable City Council Speaker Corey Johnson
City Hall
New York City, NY 10007

Dear Honorable Mayor de Blasio and Council Speaker Johnson:

As members of the New York City Congressional delegation, we write to express our deep concerns about the impact of the ongoing crisis of New York City medallion yellow cab owner-drivers, whose loans are severely underwater. As you may know, the House Financial Services Committee held a hearing entitled “Examining Legislation to Protect Consumers and Small Business Owners from Abusive Debt Collection Practices,” on September 26, 2019¹. At the hearing, we heard compelling and heartbreaking testimony about the taxi medallion crisis that has forced many New York City medallion yellow cab owner-drivers into lifelong debt, leading to the tragic suicides of at least three individual owner-drivers². It is particularly distressing that 33% of the taxi and for-hire vehicle (FHV) drivers who committed suicide due to financial despair in 2018 were owner-drivers, a workforce that is less than two percent of the driver population.

We are especially concerned that New York City held auctions to sell medallions to the highest bidder, even after seven government agencies, including the Taxi and Limousine Commission (TLC), knew the value to be inflated by lenders, many of whom used predatory practices, such as no review on ability to pay and interest-only payments and Confessions of Judgment after the value started to crash. The City made \$850 million between 2004 – 2014³, with lenders continuing to collect on underwater loans, and medallion brokers profiting from fees and high interest rates. Meanwhile, the owner-drivers, many of whom are first-generation immigrants, have been left behind in their fight for survival.

The New York Times further reported that seven government agencies knew about the scandal and did nothing. The spike in medallion value started in 2004, but the City advertised medallion prices on average 13 percent higher than they really were⁴. TLC staff wrote a report in 2010 that the value was inflated; but the Bloomberg Administration ignored it and the auctions continued⁵. Also in 2010, the NYS Department of Financial

¹ The House Financial Services Committee hearing, hearing memo, and discussion draft of bills are available at <https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=404239>.

² Emma G. Fitzsimmons, *Why Are Taxi Drivers in New York Killing Themselves*, The New York Times (December 2, 2018), available at <https://www.nytimes.com/2018/12/02/nyregion/taxi-drivers-suicide-nyc.html>

³ Brian M. Rosenthal, *As Thousands of Taxi Drivers Were Trapped in Loans, Top Officials Counted the Money*, The New York Times (May 19, 2019), available at <https://www.nytimes.com/2019/05/19/nyregion/taxi-medallions.html>

⁴ *ibid*

⁵ *ibid*

Services (DFS) wrote warnings of inflated values and issued at least one report that the bubble would burst.⁶ In 2011, the National Credit Union Administration (NCUA) wrote a paper on the risks of the industry; in 2012, 2013, and 2014 they had reports of credit unions violating lending rules.⁷ Unfortunately, the NCUA never penalized or added oversight to the ongoing violations. In 2014, the state's DFS called a meeting of a dozen top officials⁸. All the while, the auctions continued.

At the last held auction in 2014, the TLC set the opening bid for the mini fleet medallion at \$1.6 million dollars, or \$800,000 apiece. Through a series of investigative articles, the New York Times investigation found medallion values were inflated so lenders – many of them involved in predatory loans in the 2008 housing crash – and brokers could make extra profits off the drivers' backs⁹. Banks made money in 2017 and 2018 when owner-drivers were struggling with payments by using Confessions of Judgment, a practice that we are looking to ban in commercial contracts, as Congress has done in the consumer context.

The City must act to reset this industry in crisis, hold private institutions and former public officials accountable for this scandal, protect against and investigate predatory practices, and, most importantly, find a means to alleviate the crisis of debt. In coordination with the efforts of Representatives Velazquez and Espaillat, we call upon you to explore the latter immediately. Even today, lenders are reportedly selling their debt to other institutions at reduced rates, reflecting current market value. The debt buyer, however, does not reduce the loan balance of the borrower, keeping the cost at the inflated principal. An owner-driver whose \$600,000 loan, for example, may have been sold for \$150,000 continues to pay the \$600,000 outstanding principal. The City must change this. The New York Taxi Workers Alliance has called for the City to establish an entity to buy the loans at current market value and restructure loans, so the debt forgiveness reaches the owner-driver borrowers¹⁰. We believe this entity can and should be public. The City would expend at maximum \$900 million but recoup the monies, with revenue from fair market interest to cover administrative fees. Owner-drivers would be rescued from a debt crisis that is putting their lives at risk.

Bankruptcy and foreclosure have a long-term impact on families, putting homes and other assets at risk and wiping out credit, which many have worked long years to build. Inaction on the part of the City could mean an epidemic of bankruptcies and foreclosures, spiraling thousands of families into financial despair. Owner-drivers reportedly average a \$25,000 annual deficit. That means, they are carrying forward a commercial debt on the medallion at an average \$600,000 and then contending with consumer credit card debt to

⁶ *ibid*

⁷ *ibid*

⁸ *ibid*

⁹ Brian M. Rosenthal, *'They Were Conned': How Reckless Loans Devastated a Generation of Taxi Drivers*, The New York Times (May 19, 2019), available at <https://www.nytimes.com/2019/05/19/nyregion/nyc-taxi-medallions-suicides.html>.

¹⁰ Henry Goldman, 'NYC Cabbies Say 'No-Cost' Bailout Would Avoid Financial Ruin', Bloomberg (October 12, 2019), available at <https://www.bloomberg.com/news/articles/2019-10-11/nyc-cabbies-say-no-cost-bailout-would-avoid-financial-ruin>.

manage day-to-day cost of living. Many owner-drivers in their sixties and seventies are reportedly returning to drive for a living as the retirement they were led to believe would come from equity on the medallion has dissipated. To ignore the human toll of this crisis – from heart attacks and strokes to depression and suicide – would be unconscionable. Given the City played a role in fanning the inflated value while ignoring the predatory practices, it would be reckless and immoral to fail to act.

We are committed to finding legislative solutions to end predatory lending and to lead inquiries into this scandal. We are also committed to working with the City to find an immediate financial solution to this crisis and save the lives of our city's taxi medallion owner-drivers.

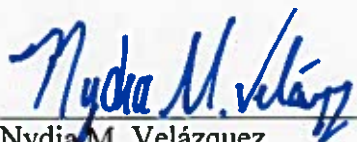
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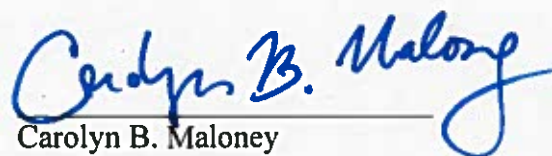
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Member of Congress



Adriano Espaillat
Member of Congress



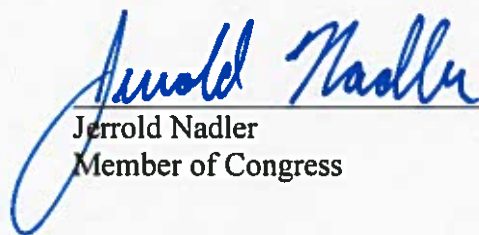
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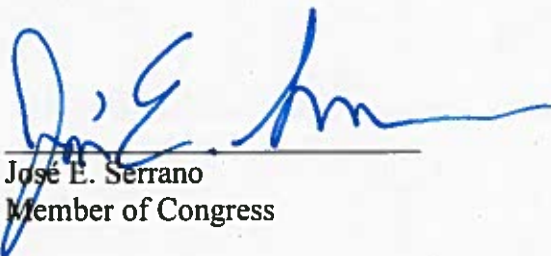
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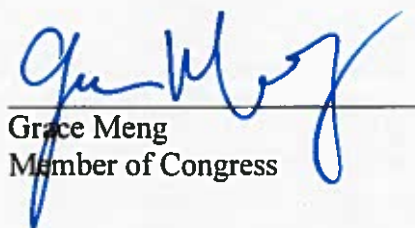
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